

RECORDATION NO. 9436 Filed & Recorded

JUN 8 1978 -2 10 PM

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
Washington, D.C.

Gentlemen:

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and three counterparts of a Second Security Agreement-Trust Deed dated as of March 15, 1978.

A general description of the maintenance of way equipment covered by the enclosed documents is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Debtor: Continental Illinois National Bank
and Trust Company of Chicago, as
Trustee under Chicago North Western
Trust No. 78-2
231 South LaSalle Street
Chicago, Illinois 60693

Secured Party: Harris Trust and Savings Bank,
as Security Trustee
111 West Monroe Street
Chicago, Illinois 60603

The undersigned is the Debtor mentioned in the enclosed documents and has knowledge of the matters set forth therein.

Please return the original and two copies of the Second Security Agreement-Trust Deed to Robert Nash, Chapman and Cutler, 111 West Monroe, Chicago, Illinois 60603.

Enclosed is a check in the amount of \$50.00 covering the filing fee.

Very truly yours,

CONTINENTAL ILLINOIS NATIONL
BANK AND TRUST COMPANY OF CHICAGO,
as Trustee under Chicago North
Western Trust No. 78-2

By

Vice President

Enclosures

CT. Kennel
Robert Nash, Chapman and Cutler

<u>A</u>	<u>QUANTITY</u>	<u>DESCRIPTION OF EQUIPMENT</u>	<u>RAILROAD SYSTEM NO.</u>	<u>ESTIMATED COST</u>
1	14	Tampers	17-3019/22 17-3046/51 17-3075/78	\$1,278,000
2	2	Compactors	17-3072/73	190,000
3	6	Speed Swings	17-2997/01 17-3018	630,000
4	12	Tractor/Mowers	17-3033/44	240,000
5	7	Tractor/Backhoes	17-2993/96 17-2989 17-3011 17-3045	250,000
6	10	Ballast Regulators	17-3023/32	545,000
7	1	Automatic Spiker	17-3002	55,000
8	1	Tie Injector	17-3061	60,000
9	2	Rail Lifters	17-3062/63	9,000
10	3	Tie Bed Scarifier	17-3058/60	109,000
11	6	Tie Inserters	17-3052/57	210,000
12	8	Crawler Loaders/Dozers	17-2990/91 17-3003 17-3013/14 17-3016/17	650,000
13	3	Hy-rail Cranes	17-3098/3100	420,000
14	3	Motor Graders	17-3004/06	150,000
15	8	Pneumatractor	17-3064/71	223,000
16	12	Air Compressors	17-3082/93	112,000
17	2	Earth Drills	17-3097 17-3015	140,000
18	3	Anchor Machines	17-3079/81	96,000
19	1	Brush Cutter	17-3074	65,000
20	3	Track Liners	17-3098/3100	100,000
21	4	Trailers	19-1442/45	30,000
TOTAL				<u>\$5,562,000</u>

MAY 24 1978

SECOND
SECURITY AGREEMENT-TRUST DEED

9436
RECORDATION NO. _____ Filed & Recorded

Dated as of March 15, 1978 JUN 8 1978 -2 15 PM

INTERSTATE COMMERCE COMMISSION

FROM

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under Chicago North Western Trust No. 78-2

DEBTOR

TO

HARRIS TRUST AND SAVINGS BANK,
as Security Trustee

SECURED PARTY

(Chicago North Western Trust No. 78-2)
(Maintenance of Way Equipment)

TABLE OF CONTENTS

<u>Section</u>	<u>Heading</u>	<u>Page</u>
Parties.....		1
Recitals.....		1
1.	Grant of Security.....	3
1.1.	Equipment Collateral.....	3
1.2.	Rental Collateral.....	3
1.3.	Limitations to Security Interest.....	3
1.4.	Duration of Security Interest.....	5
1.5.	Excepted Rights in Collateral.....	5
2.	Covenants and Warranties of the Debtor.....	6
2.1.	Debtor's Duties.....	6
2.2.	Warranty of Title.....	6
2.3.	Further Assurances.....	6
2.4.	After-Acquired Property.....	7
2.5.	Recordation and Filing.....	7
2.6.	Modifications of the Leases.....	7
2.7.	Power of Attorney in Respect of the Lease.....	8
2.8.	Notice of Default.....	8
3.	Possession, Use and Release of Property.....	8
3.1.	Possession of Collateral.....	8
3.2.	Release of Equipment.....	9
3.3.	Release of Equipment - Consent of Noteholders.....	8
3.4.	Protection of Purchaser.....	9
4.	Defaults and Other Provisions.....	9
4.1.	Event of Default.....	9
4.2.	Secured Party's Rights.....	9
4.3.	Acceleration Clause.....	11
4.4.	Waiver by Debtor.....	11
4.5.	Effect of Sale.....	12
4.6.	Application of Proceeds.....	12
4.7.	Discontinuance of Remedies.....	13
4.8.	Cumulative Remedies.....	13
5.	The Secured Party.....	13
5.1.	Certain Duties and Responsibilities of Secured Party.....	13

<u>Section</u>	<u>Heading</u>	<u>Page</u>
5.2.	Compensation and Expenses of Secured Party; Indemnification; Lien Therefor.....	15
5.3.	Certain Rights of Secured Party.....	15
5.4.	Showings Deemed Necessary by Secured Party....	17
5.5.	Status of Moneys Received.....	17
5.6.	Resignation of Secured Party.....	18
5.7.	Removal of Secured Party.....	18
5.8.	Successor Secured Party.....	18
5.9.	Appointment of Successor Secured Party.....	18
5.10.	Merger or Consolidation of Secured Party.....	18
5.11.	Conveyance Upon Request of Successor Secured Party.....	19
5.12.	Acceptance of Appointment by Successor Secured Party.....	19
6.	Limitations of Liability.....	19
7.	Supplemental Security Agreements: Waivers.....	20
7.1.	Supplemental Security Without Noteholders' Consent.....	20
7.2.	Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent.....	21
7.3.	Notice of Supplemental Security Agreements....	22
7.4.	Opinion of Counsel Conclusive as to Supplemental Security Agreements.....	22
8.	Miscellaneous.....	22
8.1.	Certain Definitions.....	22
8.2.	Successors and Assigns.....	24
8.3.	Partial Invalidity.....	24
8.4.	Communications.....	24
8.5.	Release.....	24
8.6.	Governing Law.....	25
8.7.	Counterparts.....	25
8.8.	Headings.....	25
	Signature Page.....	25
	Acknowledgments.....	26

Attachments to Security Agreement:

Schedule 1 - Amortization Schedule
Schedule 2 - Description of Equipment
Exhibit A - Interim Note
Exhibit B - Secured Note

SECOND
SECURITY AGREEMENT-TRUST DEED

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under Chicago North Western Trust No. 78-2

THIS SECOND SECURITY AGREEMENT-TRUST DEED dated as of March 15, 1978 (the "Second Security Agreement") from CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not individually but solely as Trustee under Chicago North Western Trust No. 78-2 (the "Debtor"), whose post office address is 231 South LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Department, to HARRIS TRUST AND SAVINGS BANK (the "Secured Party") whose post office address is 111 West Monroe Street, Chicago, Illinois 60690, Attention: Indenture Trust Division;

R E C I T A L S:

A. The defined terms used in this Second Security Agreement shall have the respective meanings indicated in Section 8.1 unless elsewhere defined or the context shall otherwise require.

B. Continental Illinois National Bank and Trust Company of Chicago, not individually but solely as Trustee under Chicago North Western Trust No. 78-1 ("Trustee No. 78-1") has entered into an Amended Interim Loan Agreement dated as of March 1, 1978 (the "Interim Loan Agreement") with Continental Illinois Leasing Corporation, a Delaware corporation (the "Interim Lender"), providing for the commitment of the Interim Lender to make interim loans to Trustee No. 78-1 upon the terms and conditions and in the aggregate principal amount set forth in the Interim Loan Agreement. Such loans are to be evidenced by the Interim Notes (the "Interim Notes") of the Debtor to be dated the date of issue, to bear interest at a rate per annum equal to 125% of the prime rate from time to time in effect at Continental Illinois National Bank and Trust Company of Chicago (being the rate of interest charged by such Bank from time to time to its largest and most creditworthy commercial borrowers on 90-day unsecured commercial loans) (the "Continental Prime Rate"), which rate shall change when and as said Continental Prime Rate changes, and to be otherwise substantially in the form attached as Exhibit A hereto.

C. Trustee No. 78-1 and the Secured Party have entered into a Participation Agreement dated as of March 1, 1978 (the "Participation Agreement") with CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), COBAK CORPORATION, a Delaware corporation (the "Trustor") and the

parties named in Schedule 1 (the "Lenders") to the Participation Agreement, providing for the commitment of the Lenders to make loans on or before April 12, 1979 not exceeding an aggregate principal amount of \$6,800,000 to be evidenced by the Secured Notes (the "Term Notes") of the Debtor. The Term Notes are to be dated the date of issue, to bear interest at the rate of 9% per annum for five years from and after the date of issue, and thereafter until maturity at a rate per annum equal to 120% of the Continental Prime Rate, which rate shall change when and as said Continental Prime Rate changes, to be expressed to mature in the case of Term Notes issued to finance a portion of the total cost of Ballast Cars, Wheel Transport Cars, the Test Car and Rail Train-Flat Cars (as each such term is defined in the Trust No. 78-1 First Security Agreement) in 40 quarterly installments, payable in accordance with the amortization schedule set forth in Schedule 1 hereto, payable on the payment dates of the first through the fortieth installments of Fixed Rental in respect of the railroad equipment financed with the proceeds of such Term Notes, and to be expressed to mature in the case of Term Notes issued to finance a portion of the purchase price of Auto Racks (as such term is defined in the Trust No. 78-1 First Security Agreement) in 36 quarterly installments, payable in accordance with the amortization schedule set forth in Schedule 1 hereto, payable on the payment dates of the first through the thirty-sixth installments of Fixed Rental in respect of the railroad equipment financed with the proceeds of such Term Notes, and to be otherwise substantially in the form attached as Exhibit B hereto.

D. The proceeds from the issuance of the Interim Notes are to be applied by Trustee No. 78-1 to finance the purchase price and/or cost of reconstruction of certain railroad equipment leased or to be leased to the Lessee under an Equipment Lease No. 1 dated as of March 1, 1978 and/or an Equipment Lease No. 2 dated as of March 1, 1978, each between Trustee No. 78-1, as lessor, and the Lessee, as lessee. The proceeds of the Term Notes are to be applied to the payment of a portion of the Interim Notes.

E. The Lenders have required as a condition precedent to the making of their respective loans to Trustee No. 78-1 pursuant to the Participation Agreement that the Debtor execute this Second Security Agreement as further security for the Interim Notes and Term Notes (as more fully defined in Section 8.1 hereof) and the Debtor is willing to execute this Second Security Agreement.

F. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at the time due and owing from or required to be paid by Trustee No. 78-1 under the terms of the Notes, the Trust No. 78-1 First Security Agreement, the Interim Loan Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

G. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Second Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor as one of the inducements to and as part of the consideration for the making of the loans by the Lenders to Trustee No. 78-1 as provided in the Participation Agreement and in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and the Lenders and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Second Security Agreement and in the Interim Loan Agreement, the Participation Agreement and the Trust No. 78-1 First Security Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors in trust and assigns, a security interest in an undivided 80% interest in all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof subject always to Excepted Rights in Collateral (as defined in Section 1.5 hereof) (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the railroad equipment described in Schedule 2 attached hereto and made a part hereof (collectively, the "Equipment" and individually an "Item" or "Item of Equipment"), constituting the Equipment leased or to be leased under that certain Equipment Lease dated as of March 15, 1978 (the "Lease") between the Debtor, as lessor, and the Lessee, as lessee; together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, except such thereof as remain the property of the Lessee under the Leases, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the terms of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee under the Lease, (b) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, and (c) the lien of the First Security Agreement and the right, title and interest of

the First Secured Party thereunder (collectively "Permitted Encumbrances"). It is expressly understood and agreed by and among the Debtor, the Secured Party and the holders of the Notes and their respective successors and assigns that the lien of this Second Security Agreement and the right, title and interest of the Secured Party hereunder in and to the Collateral is in all respects expressly subordinate and junior in rank to the lien of the First Security Agreement and the right, title and interest of the First Secured Party thereunder and that neither the Secured Party nor the holders of the Notes nor their respective successors or assigns shall have any right to exercise any right, title, interest, claim or demand in respect of the Collateral until and unless (a) an Event of Default as defined in Section 4.1 hereof has occurred and is continuing, and (b) the indebtedness secured by the First Security Agreement has been paid in full, but that on the contrary the First Secured Party shall have the right, until the Trust No. 78-2 Notes and all other indebtedness secured by the First Security Agreement has been paid in full, to exercise all right, title, interest, claim and demand in respect of the Collateral, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.5 of the First Security Agreement:

(i) the immediate and continuing right to receive and collect all Interim Rental, Fixed Rental and Casualty Value (as each such term is defined in the Lease), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the lessor under the Lease pursuant thereto and to apply the same upon the terms and conditions and in the manner provided in Section 4 of the First Security Agreement,

(ii) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications, and

(iii) the right to take such action upon the occurrence of an Event of Default under the Lease or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease,

it being the intent and purpose hereof that, subject always to the exceptions, reservations and limitations contained in Section 1.5 of the First Security Agreement, the assignment and transfer to the First Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the First Secured Party shall have the right to collect and receive all Interim Rental, Fixed Rental and Casualty Value and other sums for application in accordance with the provisions of Section 4 of

the First Security Agreement at all times during the period from and after the date of this Second Security Agreement until the indebtedness secured by the First Security Agreement has been fully paid and discharged.

1.4. Duration of Security Interest. The Secured Party, its successors in trust and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that upon the earlier of: (a) if no Event of Default under the First Security Agreement and no event of default under Section 14.1(h) or (i) of either of the Trust No. 78-1 Leases has occurred and is continuing, the payment in full of the Trust No. 78-2 Notes and of all other indebtedness secured by the First Security Agreement and the observance and performance of all of the terms and conditions, covenants and agreements contained in the First Security Agreement, the Trust No. 78-2 Participation Agreement and the Trust No. 78-2 Interim Loan Agreement, or (b) the payment in full of the Notes and all other indebtedness hereby secured and the observance and performance of all of the terms and conditions, covenants and agreements herein and in the Interim Loan Agreement, the Participation Agreement, the Trust No. 78-1 First Security Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Second Security Agreement shall become null and void, otherwise to remain in full force and effect.

1.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Second Security Agreement the following described properties, rights, interest and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of and indemnity under Sections 6, 10.2 and 20.3 of the Lease which by the terms of the Lease are payable to the Debtor or a Trustor for its own account;

(b) all rights of the Debtor and the Trustors under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor or the Trustors on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 14 of the Lease except those contained in Section 14.2(a) thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 11.1 of the Lease which by the terms of such policies or the terms of the Lease are payable directly to the Debtor or a Trustor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in this Second Security Agreement, as from time to time amended or supplemented.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only Permitted Encumbrances). The Debtor also agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens, charges or encumbrances on the Collateral which result from claims against the Debtor in its individual capacity and not related to the ownership of the Equipment or the administration of the Trust Estate (as defined in the Trust No. 78-2 Trust Agreement) or any transactions pursuant to the Operative Agreements (as defined in the Trust No. 78-2 Participation Agreement); and the Debtor further agrees to indemnify and hold harmless the Secured Party and the holders of the Notes from and against any cost or expenses (including legal fees and expenses) incurred, in each case, as a result of the imposition or enforcement of any liens, charges or encumbrances referred to in the foregoing clause of this second sentence of Section 2.2. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein and the security interest provided for in the First Security Agreement.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest therein granted in the rents and other sums due and to become due under the Leases, the Debtor covenants and agrees that it will notify the Lessee of the assignment of the Leases pursuant to Section 16 of each thereof and instruct the Lessee that, upon the payment in full of the indebtedness secured by the First Security Agreement, the Lessee shall then and thereupon make all payments of rents and other sums thereafter due and to become due under the Leases, other than Excepted Rights in Collateral,

directly to the Secured Party hereunder for application in accordance with the requirements of Section 5.7 of the Trust No. 78-1 First Security Agreement.

2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause this Second Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party furnish to the Secured Party promptly after the execution and delivery of this Second Security Agreement and of each supplement to this Second Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.6. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof (other than the lien of this Second Security Agreement and of the First Security Agreement);
or

(b) receive or collect any rental payment under either of the Leases prior to the date for payment thereof provided for by such Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder and to the First Secured Party under the First Security Agreement) any rent payment then due or to accrue in the future under the Lease in respect of the Equipment;
or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder and to the

First Secured Party under the First Security Agreement), its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

It is understood and agreed by the Secured Party and the holders of the Notes and their respective successors and assigns that nothing contained in this Section 2.6 shall be deemed to limit the rights of the First Secured Party to exercise the rights and remedies granted by the Debtor to the First Secured Party under and pursuant to the First Security Agreement.

2.7. Power of Attorney in Respect of the Lease. Subject to the proviso hereto, the Debtor does hereby irrevocably constitute and appoint the Secured Party, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Sections 1.1 and 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby, provided, however, that until the payment in full of the indebtedness secured by the First Security Agreement, the Secured Party may not and shall not exercise the power of attorney granted pursuant to this Section 2.7.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under either of the Lease if any officer of the Debtor has actual knowledge of such event or condition and is also aware, or should reasonably have been aware, that such event or condition constitutes such an Event of Default.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of the First Security Agreement and this Second Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

3.2. Release of Equipment. So long as no default, referred to in Section 14 of the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 11 of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of the Casualty Value payment for such Item of Equipment in compliance with Section 11 of the Lease.

3.3. Release of Equipment - Consent of Noteholders. In addition to the sale, exchange or release pursuant to the foregoing Section 3.2, the Debtor may sell or otherwise dispose of any Equipment then subject to the lien of this Second Security Agreement, and the Secured Party shall release its interest in the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of the the indebtedness hereby secured.

3.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. DEFAULTS AND OTHER PROVISIONS.

4.1. Event of Default. The term "Event of Default" for all purposes of this Second Security Agreement shall mean the occurrence of an Event of Default under the First Security Agreement, the effect of which is to cause, after the exercise by the Debtor, Cobak Corporation and CI General Equipment Leasing Corporation of such rights to cure as they may have under and pursuant to Section 5.3 of the First Security Agreement, the Trust No. 78-2 Notes or a portion thereof to become due prior to the stated maturity date thereof or prior to any regularly scheduled date of payment.

4.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 4.1 has occurred and is continuing, but subject always to Section 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every

remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) Subject always to the rights, if any, of the Lessee under the Lease and to the rights, if any, of the First Secured Party under the First Security Agreement, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(b) Subject always to the rights, if any, of the Lessee under the Lease and to the rights, if any, of the First Secured Party under the First Security Agreement, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor, the First Secured Party and the Lessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(c) Subject always to the rights, if any, of the Lessee under the Lease and to the rights, if any, of the First Secured Party under the First Security Agreement, the Secured Party may proceed to protect and enforce this Second Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder,

or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable laws; and

(d) Subject always to the rights, if any, of the Lessee under the Lease and to the rights, if any, of the First Secured Party under the First Security Agreement, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

4.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Second Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers of the Collateral, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

4.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any delay, stay or extension law now or at any time hereafter in force, nor claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, the Debtor hereby expressly waives for itself and on behalf of each and every person, except the First Secured Party under the First Security Agreement and except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Second Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

4.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease and of the First Secured Party under the First Security Agreement).

4.6. Application of Proceeds. The proceeds, rentals and/or avails of any lease or sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of all indebtedness secured by, and due and owing under, the First Security Agreement;

(b) Second, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(c) Third, 80% of the then remaining proceeds and avails to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any (and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid principal thereof, second, to unpaid premium, if any, thereon, and third, to unpaid interest thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid) and 20% of the then remaining proceeds and avails to the Debtor for the purpose of distribution to CI General Equipment Leasing Corporation (which amounts shall be received and held in trust by the Secured Party for CI General Equipment Leasing Corporation until distribution thereof); and

(d) Fourth, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

4.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Second Security Agreement or under the Trust No. 78-1 First Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Second Security Agreement.

4.8. Cumulative Remedies. No delay or omission of the Secured Party, the First Secured Party or the Trust No. 78-2 First Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor hereunder or on the part of Trustee No. 78-1 under the Trust No. 78-1 First Security Agreement, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder or under the Trust No. 78-1 First Security Agreement is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or thereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Second Security Agreement and under the Trust No. 78-1 First Security Agreement operate to prejudice, waive or affect the security of this Second Security Agreement or of the Trust No. 78-1 First Security Agreement or any rights, powers or remedies hereunder or thereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 5. THE SECURED PARTY.

5.1. Certain Duties and Responsibilities of Secured Party. (a) Except during the continuance of an Event of Default:

(i) the Secured Party undertakes to perform such duties and only such duties as are specifically set forth in this Second Security Agreement, and no implied covenants or obligations shall be read into this Second Security Agreement against the Secured Party; and

(ii) in the absence of bad faith on its part, the Secured Party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Secured Party and conforming to the requirements of this Second Security Agreement or the Leases; but in

the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Secured Party, the Secured Party shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Second Security Agreement.

(b) In case an Event of Default has occurred and is continuing, the Secured Party shall exercise such of the rights and powers vested in it by this Second Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Second Security Agreement shall be construed to relieve the Secured Party from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Secured Party shall not be liable for any error of judgment made in good faith by an officer of the Secured Party unless it shall be proved that the Secured Party was negligent in ascertaining the pertinent facts; and

(iii) the Secured Party shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Secured Party, or exercising any trust or power conferred upon the Secured Party under this Second Security Agreement.

(d) No provision of this Second Security Agreement shall require the Secured Party to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Second Security Agreement relating to the conduct or affecting the liability of or affording protection to the Secured Party shall be subject to the provisions of this Section.

5.2. Compensation and Expenses of Secured Party; Indemnification; Lien Therefor. (a) The Debtor covenants to pay to the Secured Party such compensation for its services hereunder as shall be agreed to by the Debtor and the Secured Party or, in the absence of such agreement, reasonable compensation therefor (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and to pay, or reimburse, the Secured Party for all reasonable expenses incurred hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Secured Party may employ in connection with the exercise and performance of its powers and duties hereunder.

(b) The Debtor will also indemnify and save the Secured Party harmless against any liabilities, not arising from the Secured Party's own default or negligence or bad faith which it may incur in the exercise and performance of its rights, powers, trusts, duties and obligations hereunder.

(c) As security for such compensation, expenses, disbursements and indemnification, the Secured Party shall have the benefit of the lien hereby created in priority to the indebtedness evidenced by the Notes issued hereunder.

5.3. Certain Rights of Secured Party. (a) The Secured Party shall not be responsible for any recitals herein or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Second Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Secured Party be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Secured Party has actual knowledge, the Secured Party shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one of the holders of the Notes. The Secured Party shall promptly notify all holders of the Notes of any default of which the Secured Party has actual knowledge. Upon receipt by the Secured Party of such written notice from a holder of a Note, the Secured Party shall promptly notify all other holders of the Notes of such notice and the default referred to therein by prepaid registered mail addressed to them at their addresses set forth in the Register (as defined in Section 9.3 of the Trust No. 78-1 First Security Agreement).

(b) The Secured Party makes no representation, or warranty as to the validity, sufficiency or enforceability of this Second Security Agreement, the Notes, the Interim Loan Agreement, the Participation Agreement, the Trust No. 78-1 First Security Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with

respect to, any Equipment or Item of Equipment or any substitute therefor. The Secured Party shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Second Security Agreement.

(c) The Secured Party may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor or the Lessee shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Secured Party, and signed in the name of the Debtor or the Lessee, as the case may be, by its Chairman of the Board, President, any Vice President, Treasurer or Secretary; and any resolution of the Board of Directors of the Debtor or the Lessee shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Secured Party.

(e) Whenever in the administration of the trust herein provided for the Secured Party shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Secured Party, and such certificate shall be full warrant to the Secured Party or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Secured Party may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Secured Party may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Secured Party, and the written advice of any thereof shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Secured Party shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any

other person, if the taking of any such action in the opinion of the Secured Party may involve loss, liability or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Secured Party.

(h) The Secured Party shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Second Security Agreement.

(i) The Secured Party shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Secured Party may execute any of the trusts or powers thereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Secured Party shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(k) The provisions of paragraphs (c) to (j), inclusive, of this Section 5.3, shall be subject to the provisions of Section 5.1 hereof.

5.4. Showings Deemed Necessary by Secured Party. Notwithstanding anything elsewhere in this Second Security Agreement contained, the Secured Party shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Second Security Agreement, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Secured Party deemed reasonably necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

5.5. Status of Moneys Received. All moneys received by the Secured Party shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Secured Party under such general conditions as may be prescribed by law in the Secured Party's general banking department, and the Secured Party shall be under no liability for interest on any moneys received by it hereunder. The Secured Party and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation or the Lessee or any affiliated

corporation, or the Secured Party may act as depositary or otherwise in respect to the securities of the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, all with the same rights which it would have if not the Secured Party.

5.6. Resignation of Secured Party. The Secured Party may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes at their respective addresses set forth in the Register (as defined in Section 9.3 of the Trust No. 78-1 First Security Agreement). Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor secured party shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

5.7. Removal of Secured Party. The Secured Party may be removed and/or a successor secured party may be appointed at any time by an instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Secured Party and to the Debtor and, in the case of the appointment of a successor secured party, to such successor secured party.

5.8. Successor Secured Party. Each secured party appointed in succession of the Secured Party named in this Second Security Agreement, or its successor in trust, shall be a trust company or banking corporation having an office in the State of Illinois, in good standing and having a capital and surplus aggregating at least \$50,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

5.9. Appointment of Successor Secured Party. If the Secured Party shall have given notice of resignation to the Debtor pursuant to Section 5.6 hereof or if notice of removal shall have been given to the Secured Party and the Debtor pursuant to Section 5.7 hereof, and such notice does not appoint a successor secured party, then a successor secured party may be appointed by the Debtor, or, if such successor secured party shall have been so appointed and shall not have accepted such appointment within fifteen calendar days after the giving of such notice of resignation or the giving of any such notice of removal, as the case may be, a successor secured party may be appointed by the Debtor, the holder of any outstanding Note, or, upon application of the retiring secured party, by any court of competent jurisdiction.

5.10. Merger or Consolidation of Secured Party. Any company into which the Secured Party, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation

to which the Secured Party or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the State of Illinois or of the United States of America, having a capital and surplus of at least \$50,000,000), shall be the successor to the Secured Party under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement.

5.11. Conveyance Upon Request of Successor Secured Party. Should any deed, conveyance or instrument in writing from the Debtor reasonably be required by any successor secured party for more fully and certainly vesting in and confirming to such new secured party such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

5.12. Acceptance of Appointment by Successor Secured Party. Any new secured party appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment; and thereupon such new secured party, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as secured party herein; but nevertheless, upon the written request of the Debtor or of the successor secured party, the secured party ceasing to act shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the secured party so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such secured party to the successor secured party so appointed in its or his place, which obligation of the Secured Party to assign, transfer and deliver shall survive its resignation.

SECTION 6. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Debtor, the Secured Party and the holder of any Note and their respective successors and assigns that, except as expressly provided in the Participation Agreement and herein this Second Security Agreement is executed by Continental Illinois National Bank and Trust Company of Chicago, not individually or personally but solely as Trustee under the Trust No. 78-2 Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and Continental Illinois National

Bank and Trust Company of Chicago hereby warrants that it possesses full power and authority to enter into and perform this Second Security Agreement). It is also expressly understood and agreed by and between the parties hereto that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or the Trustors, or for the purpose or with the intention of binding the Debtor or the Trustors personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust No. 78-2 Trust Agreement, that this Second Security Agreement is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustee under the Trust No. 78-2 Trust Agreement and that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances, be taken by the Debtor only upon specific authority of the Trustors. Accordingly, nothing herein contained shall be construed as creating any liability on the Debtor or the Trustors individually, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, Continental Illinois National Bank and Trust Company of Chicago or the Trustors, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and the holders of the Notes and by any person claiming by, through or under the Secured Party and the holders of the Notes, and that so far as Debtor or the Trustors individually are concerned, the Secured Party and the holders of the Notes and any person claiming by, through or under the Secured Party and the holders of the Notes shall look solely to such Trust Estate for the payment of the indebtedness evidenced by any Note and the performance of any obligation under any of the instruments referred to herein.

SECTION 7. SUPPLEMENTAL SECURITY AGREEMENTS: WAIVERS.

7.1. Supplemental Security Agreements Without Noteholders' Consent. The Debtor and the Secured Party from time to time and at any time, subject to the restrictions in this Second Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon the Debtor;

(b) to subject to the security interest of this Second Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest to this Second Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Second Security Agreement;

(c) to permit the qualification of this Second Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

(d) for any other purpose not inconsistent with the terms of this Second Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Second Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental agreement. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Second Security Agreement, be waived or modified by such supplemental agreements, or otherwise.

7.2. Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent. Upon the waiver, direction or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Second Security Agreement or any agreement supplemental hereto, (b) the Secured Party may, upon the occurrence and continuation of an Event of Default hereunder, exercise such of the remedies set forth in Section 4 hereof as such holders have so elected or consented to, or (c) the Debtor and the Secured Party may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Second Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of the interest and premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Second Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, (v) modify the rights, duties or immunities of the Secured Party, without the consent of the holders of all of the Notes at the time outstanding, or (vi) modify, waive or rescind a direction of Noteholders to the Secured Party to accelerate the Notes in accordance with Section 5.2(a) of the Trust No. 78-1 First Security Agreement.

7.3. Notice of Supplemental Security Agreements.

Promptly after the execution by the Debtor and the Secured Party of any supplemental agreement pursuant to the provisions of Section 7.1 or 7.2 hereof, the Secured Party shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first-class, postage prepaid, to each holder of the Notes. Any failure of the Secured Party to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

7.4. Opinion of Counsel Conclusive as to Supplemental Security Agreements. The Secured Party is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Second Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Secured Party may receive an opinion of counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 7 complies with the requirements of this Section 7.

SECTION 8. MISCELLANEOUS.

8.1. Certain Definitions. The following terms shall have the following meanings for all purposes of this Second Security Agreement:

"First Secured Party" shall mean Harris Trust and Savings Bank, as trustee under that certain First Security Agreement-Trust Deed dated as of March 15, 1978 between the Debtor, as debtor, and Harris Trust and Savings Bank, as secured party.

"First Security Agreement" shall mean that certain First Security Agreement-Trust Deed dated as of March 15, 1978 between the Debtor, as debtor, and Harris Trust and Savings Bank, as secured party.

"Note" shall mean any of, and "Notes" shall mean all of, the then outstanding Interim Notes and Term Notes referred to in the Recitals hereof. The term "outstanding" when used with reference to Notes shall mean, as of any particular time, all Notes delivered by Trustee No. 78-1 pursuant to the Interim Loan Agreement or the Participation Agreement and secured hereby and by the Trust No. 78-1 First Security Agreement, except:

- (a) Interim Notes following the payment thereof;
- (b) Notes theretofore cancelled by Trustee No. 78-1 or delivered to Trustee No. 78-1 for cancellation;

(c) Notes for the payment or prepayment of which moneys in the necessary amount shall have been paid to the Noteholders or deposited in trust with the Trust No. 78-1 First Secured Party;

(d) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Sections 9.4 and 9.5 of the Trust No. 78-1 First Security Agreement; and

(e) Notes held by or under the direct or indirect control of the Debtor or Trustee No. 78-1.

"Trust No. 78-2 First Secured Party" shall mean Harris Trust and Savings Bank, as Trustee under that certain First Security Agreement-Trust Deed dated as of March 15, 1978 between the Debtor, as debtor, and Harris Trust and Savings Bank, as secured party.

"Trust No. 78-1 First Security Agreement" shall mean that certain First Security Agreement-Trust Deed dated as of March 1, 1978 between Trustee No. 78-1, as debtor, and Harris Trust and Savings Bank, as secured party.

"Trust No. 78-2 Interim Loan Agreement" shall mean that certain Interim Loan Agreement dated as of March 15, 1978 between the Debtor and Continental Illinois Leasing Corporation.

"Trust No. 78-1 Leases" shall mean collectively that certain Equipment Lease No. 1 dated as of March 1, 1978 and that certain Equipment Lease No. 2 dated as of March 1, 1978, each between Trustee No. 78-1, as lessor, and the Lessee, as lessee.

"Trust No. 78-2 Notes" shall mean the Interim Notes issued and outstanding under that certain Interim Loan Agreement dated as of March 15, 1978 between the Debtor and Continental Illinois Leasing Corporation, and the Term Notes issued and outstanding under the Trust No. 78-2 Participation Agreement, and also issued under and secured by the First Security Agreement.

"Trust No. 78-2 Participation Agreement" shall mean that certain Participation Agreement dated as of March 15, 1978 among the Debtor, the Lessee, Cobak Corporation, CI General Equipment Leasing Corporation, the Trust No. 78-2 First Secured Party and the parties named in Schedule 1 to said Agreement.

"Trust No. 78-2 Trust Agreement" shall mean that certain Equipment Leasing Trust Agreement dated as of March 15, 1978 between the Debtor, Cobak Corporation, a Delaware corporation, and CI General Equipment Leasing Corporation, a Delaware corporation.

8.2. Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Second Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.3. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Second Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid, provided that nothing contained in this Section 8.3 shall be construed to be in derogation of any rights or immunities of the Debtor under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 6.

8.4. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed as follows:

If to the Debtor: Continental Illinois National Bank
and Trust Company of Chicago,
as Trustee under Chicago North
Western Trust No. 78-2
231 South LaSalle Street
Chicago, Illinois 60693

Attention: Corporate Trust Department

If to the Secured Party: Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Attention: Indenture Trust Division

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

8.5. Release. The Secured Party shall release this Second Security Agreement and the security interest granted hereby by proper instrument or instruments upon the earlier of (a) presentation of satisfactory evidence that all indebtedness secured by the First Security Agreement has been fully paid and discharged and that no Event of Default under the First Security Agreement and no

event of default under Section 14.1(h) or (i) of either of the Trust No. 78-1 Leases has occurred and is then continuing, or (b) presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

8.6. Governing Law. This Second Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

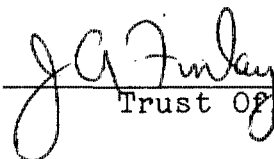
8.7. Counterparts. This Second Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Second Security Agreement.

8.8 Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Second Security Agreement nor shall they affect its meaning, construction or effect.


IN WITNESS WHEREOF, the Debtor has caused this Second Security Agreement to be executed and Harris Trust and Savings Bank, in evidence of its acceptance of the trusts hereby created, has caused this Second Security Agreement to be executed on its behalf by one of its Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Second Security Agreement to be attested by one of its Assistant Secretaries, all as of the day and year first above written.

(SEAL)

ATTEST:


Trust Officer

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under Chicago North
Western Trust No. 78-2

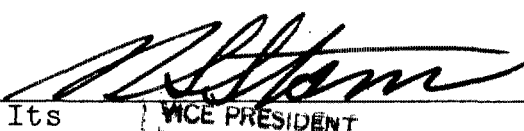
By 
Vice President

DEBTOR

(SEAL)

ATTEST:


Assistant Secretary

By 
Its VICE PRESIDENT

SECURED PARTY

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 7th day of June 1978, before me personally appeared DONALD W. ALVIN, to me personally known, who being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

Mary Prystalski
Notary Public

My commission expires:

June 13, 1978

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 7TH day of JUNE 1978, before me personally appeared R. S. STAM, to me personally known, who being by me duly sworn, says that he is a VICE PRESIDENT of HARRIS TRUST AND SAVINGS BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

Lavette C. Seay
Notary Public
LAVETTE C. SEAY

My commission expires:

NOVEMBER 29, 1980

AMORTIZATION SCHEDULE

Payments Required Per \$1,000,000 Principal Amount
of Secured Notes Issued by the Debtor

Ballast Car, Wheel Transport Car, Test Car
and Rail Train-Flat Car Term Notes

<u>Installment Number</u>	<u>Principal Amount</u>
1	\$15,677.38
2	16,030.12
3	16,390.80
4	16,759.59
5	17,136.68
6	17,522.26
7	17,916.51
8	18,319.63
9	18,731.82
10	19,153.29
11	19,584.24
12	20,024.88
13	20,475.44
14	20,936.14
15	21,407.20
16	21,888.86
17	22,381.36
18	22,884.94
19	23,399.86
20	23,926.35
21	24,464.70
22	25,015.15
23	25,577.99
24	26,153.50
25	26,741.95
26	27,343.64
27	27,958.88
28	28,587.95
29	29,231.18
30	29,888.88
31	30,561.38
32	31,249.01
33	31,952.12
34	32,671.04
35	33,406.14
36	34,157.77
37	34,926.32
38	35,712.17
39	36,515.69
40	37,337.19

SCHEDULE 1
(to Second Security Agreement)

Payments Required Per \$1,000,000 Principal Amount
of Secured Notes Issued by the Debtor

Auto Rack Term Notes

<u>Installment Number</u>	<u>Principal Amount</u>
1	\$18,325.22
2	18,737.54
3	19,159.13
4	19,590.21
5	20,030.99
6	20,481.69
7	20,942.53
8	21,413.73
9	21,895.54
10	22,388.19
11	22,891.93
12	23,407.00
13	23,933.65
14	24,472.16
15	25,022.78
16	25,585.80
17	26,161.48
18	26,750.11
19	27,351.99
20	27,967.41
21	28,596.67
22	29,240.10
23	29,898.00
24	30,570.71
25	31,258.55
26	31,961.86
27	32,681.01
28	33,416.33
29	34,168.20
30	34,936.98
31	35,723.06
32	36,526.83
33	37,348.69
34	38,189.03
35	39,048.28
36	39,926.62

<u>*A.</u>	<u>QUANTITY</u>	<u>DESCRIPTION OF EQUIPMENT</u>	<u>RAILROAD SYSTEM NO.</u>	<u>ESTIMATED COST</u>
1	14	Tampers	17-3019/22 17-3046/51 17-3075/78	\$1,278,000
2	2	Compactors	17-3072/73	190,000
3	6	Speed Swings	17-2997/01 17-3018	630,000
4	12	Tractor/Mowers	17-3033/44	240,000
5	7	Tractor/Backhoes	17-2993/96 17-2989 17-3011 17-3045	250,000
6	10	Ballast Regulators	17-3023/32	545,000
7	1	Automatic Spiker	17-3002	55,000
8	1	Tie Injector	17-3061	60,000
9	2	Rail Lifters	17-3062/63	9,000
10	3	Tie Bed Scarifier	17-3058/60	109,000
11	6	Tie Inserters	17-3052/57	210,000
12	8	Crawler Loaders/ Dozers	17-2990/91 17-3003 17-3013/14 17-3016/17	650,000
13	3	Hy-rail Cranes	17-3098/3100	420,000
14	3	Motor Graders	17-3004/06	150,000
15	8	Pneumatractor	17-3064/71	223,000
16	12	Air Compressors	17-3082/93	112,000
17	2	Earth Drills	17-3097 17-3015	140,000
18	3	Anchor Machines	17-3079/81	96,000
19	1	Brush Cutter	17-3074	65,000
20	3	Track Liners	17-3098/3100	100,000
21	4	Trailers	19-1442/45	<u>30,000</u>
			TOTAL	\$5,562,000

SCHEDULE 2
(to Second Security Agreement)

PROMISSORY NOTE

\$ _____, 19__

ON DEMAND, Continental Illinois National Bank and Trust Company of Chicago, not individually but as Trustee under an Equipment Leasing Trust Agreement, dated as of March 1, 1978 (herein called the "Trustee"), for value received, promises to pay to the order of Continental Illinois Leasing Corporation the principal sum of _____ Dollars (\$ _____) in lawful money of the United States at its principal office in Chicago, Illinois. Interest shall be payable on the outstanding balance hereof from and including the date hereof to but not including the date paid at a rate per annum (on a 365 day-year basis) which shall be equal to 125% of the prime rate from time to time in effect at Continental Illinois National Bank and Trust Company of Chicago, being the rate of interest charged by such bank from time to time to its largest and most creditworthy commercial borrowers on 90-day commercial loans, which rate shall change when and as said prime rate changes. Interest shall be payable on demand, but absent demand shall be payable on each July 12, October 12, January 12 and April 12, commencing on the first such date following the date hereof.

This Note is issued pursuant to the provisions of the Interim Loan Agreement, dated as of March 1, 1978, between the Trustee and Continental Illinois Leasing Corporation, to which Agreement reference is hereby made for a statement of the terms and conditions under which the loans in part evidenced hereby were made and are to be repaid.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
as Trustee

By _____
Its _____

EXHIBIT A
(to Second Security Agreement)

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
as Trustee under Chicago North Western Trust No. 78-1

SECURED NOTE

\$

, 1978

FOR VALUE RECEIVED, the undersigned, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not individually but solely as Trustee under Chicago North Western Trust No. 78-1 (the "Debtor") promises to pay to

or order,
the principal sum of

DOLLARS (\$)
in [see Note 1] quarterly installments in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof), payable on the twelfth day of each January, April, July and October in each year, commencing [see Note 2], to and including [see Note 3]:

Semiannual
Installment No.

Amount of Payment
(Expressed as a
Percentage of the
Original Principal
Amount)

[see Note 4]

and to pay interest (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 9% per annum from the date hereof to and including [see Note 5] and thereafter until maturity at a rate per annum equal to 120% of the rate of interest charged from time to time by Continental Illinois National Bank and Trust Company of Chicago to its largest and most credit-worthy commercial borrowers on 90-day unsecured commercial loans,

EXHIBIT B
(to Second Security Agreement)

which rate shall change when and as said Prime Rate changes, payable quarterly in the case of all such interest payments on the twelfth day of January, April, July and October in each year and at maturity commencing with the payment date next succeeding the date hereof; and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate of 10% per annum after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof at the principal office of the Secured Party referred to below in Chicago, Illinois, in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes (the "Notes") of the Debtor not exceeding \$6,800,000 in aggregate original principal amount which are issued under and pursuant to the Participation Agreement dated as of March 1, 1978 (the "Participation Agreement") among the Debtor, Chicago and North Western Transportation Company (the "Lessee"), Cobak Corporation, a Delaware corporation (the "Trustor"), Harris Trust and Savings Bank (the "Secured Party") and the parties named in Schedule 1 to the Participation Agreement and also issued under and equally and ratably with said other Notes secured by that certain First Security Agreement-Trust Deed dated as of March 1, 1978 (the "First Security Agreement") from the Debtor to the Secured Party. Reference is made to: (a) the First Security Agreement and all supplements and amendments thereto executed pursuant to the First Security Agreement, and (b) the Participation Agreement, for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the First Security Agreement. The Debtor agrees to make such required prepayments on the Notes in accordance with the provisions of the First Security Agreement.

The terms and provisions of the First Security Agreement and the rights and obligations of the Debtor and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the First Security Agreement.

This Note and the First Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

It is expressly understood and agreed by and between the Debtor, the Trustor and the holder of this Note and their respective successors and assigns that, except as expressly provided in the Participation Agreement and in the First Security Agreement, this Note is executed by Continental Illinois National Bank and Trust Company of Chicago not individually or personally but solely as Trustee under Chicago North Western Trust No. 78-1 in the exercise of the power and authority conferred and vested in it as such Trustee (and Continental Illinois National Bank and Trust Company of Chicago

hereby warrants that it possesses full power and authority to enter into and perform this Note). It is also understood and agreed that each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Debtor or the Trustor, or for the purpose or with the intention of binding the Debtor or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Participation Agreement and that this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustee under Chicago North Western Trust No. 78-1. Accordingly, nothing herein contained shall be construed as creating any liability on the Debtor or the Trustor, individually or personally, or any incorporator or any past, present or future subscriber of the capital stock of, or stockholder, officer or director of, Continental Illinois National Bank and Trust Company of Chicago or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note and that so far as the Debtor or the Trustor, individually or personally are concerned, the Debtor and any person claiming by, through or under the Debtor shall look solely to such Trust Estate for the performance of any obligation under this Note.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed, not individually but solely as Trustee under Chicago North Western Trust No. 78-1.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under Chicago North
Western Trust No. 78-1

By _____
Vice President

NOTICE: THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

Note 1:

The provision in Ballast Car Term Notes, Wheel Transport Car Term Notes, Test Car Term Notes and Rail Train-Flat Car Term Notes will read:

forty

The provision in Auto Rack Term Notes will read:

thirty-six

Note 2:

The date to be inserted shall be such of the following dates as follows the date of issue:

October 12, 1978, January 12, 1979,
April 12, 1979 or July 12, 1979

Note 3:

The date to be inserted in Ballast Car Term Notes, Wheel Transport Car Term Notes, Test Car Term Notes and Rail Train-Flat Car Term Notes shall be such of the following dates as is ten years after the date of issue:

July 12, 1988, October 12, 1988,
January 12, 1989 or April 12, 1989

The date to be inserted in Auto Rack Term Notes shall be such of the following dates as is nine years after the date of issue:

July 12, 1987, October 12, 1987,
January 12, 1988 or April 12, 1988

Note 4:

The installment numbers and percentages of principal amount to be inserted in the Ballast Car Term Notes, Wheel Transport Car Term Notes, Test Car Term Notes and Rail Train-Flat Car Term Notes shall be as follows:

<u>Semiannual Installment No.</u>	<u>Amount of Payment (Expressed as a Percentage of the Original Principal Amount)</u>
1	1.567738%
2	1.603012%
3	1.639080%
4	1.675959%
5	1.713668%

Semiannual
Installment No.

Amount of Payment
(Expressed as a
Percentage of the
Original Principal
Amount)

6	1.752226%
7	1.791651%
8	1.831963%
9	1.873182%
10	1.915329%
11	1.958424%
12	2.002488%
13	2.047544%
14	2.093614%
15	2.140720%
16	2.188886%
17	2.238136%
18	2.288494%
19	2.339986%
20	2.392635%
21	2.446470%
22	2.501515%
23	2.557799%
24	2.615350%
25	2.674195%
26	2.734364%
27	2.795888%
28	2.858795%
29	2.923118%
30	2.988888%
31	3.056138%
32	3.124901%
33	3.195212%
34	3.267104%
35	3.340614%
36	3.415777%
37	3.492632%
38	3.571217%
39	3.651569%
40	3.733719%

The installment numbers and percentages of principal amount to be inserted in the Auto Rack Term Notes shall be as follows:

Semiannual
Installment No.

Amount of Payment
(Expressed as a
Percentage of the
Original Principal
Amount)

1	1.832522%
2	1.873754%
3	1.915913%
4	1.959021%

Semiannual
Installment No.

Amount of Payment
(Expressed as a
Percentage of the
Original Principal
Amount)

5	2.003099%
6	2.048169%
7	2.094253%
8	2.141373%
9	2.189554%
10	2.238819%
11	2.289193%
12	2.340700%
13	2.393365%
14	2.447216%
15	2.502278%
16	2.558580%
17	2.616148%
18	2.675011%
19	2.735199%
20	2.796741%
21	2.859667%
22	2.924010%
23	2.989800%
24	3.057071%
25	3.125855%
26	3.196186%
27	3.268101%
28	3.341633%
29	3.416820%
30	3.493698%
31	3.572306%
32	3.652683%
33	3.734869%
34	3.818903%
35	3.904828%
36	3.992662%

Note 5:

The date to be inserted shall be such of the following dates as is five years after the date of issue:

July 12, 1983, October 12, 1983,
January 12, 1984 or April 12, 1984